

MINUTES

MONTANA HOUSE OF REPRESENTATIVES 57th LEGISLATURE - REGULAR SESSION COMMITTEE ON AGRICULTURE

Call to Order: By **CHAIRMAN DONALD L. HEDGES**, on January 30, 2001
at 3:15 P.M., in Room 172 Capitol.

ROLL CALL

Members Present:

Rep. Donald L. Hedges, Chairman (R)
Rep. Linda Holden, Vice Chairman (R)
Rep. Ralph Lenhart, Vice Chairman (D)
Rep. Darrel Adams (R)
Rep. Norma Bixby (D)
Rep. Gilda Clancy (R)
Rep. Dave Gallik (D)
Rep. Kathleen Galvin-Halcro (D)
Rep. Christopher Harris (D)
Rep. Verdell Jackson (R)
Rep. Jim Keane (D)
Rep. Larry Lehman (R)
Rep. Holly Raser (D)
Rep. Clarice Schrumpf (R)
Rep. Frank Smith (D)
Rep. Butch Waddill (R)
Rep. Karl Waitschies (R)
Rep. Merlin Wolery (R)

Members Excused: Rep. Rick Dale (R)

Members Absent: None

Staff Present: Krista Lee Evans, Legislative Branch
Robyn Lund, Committee Secretary

Please Note: These are summary minutes. Testimony and
discussion are paraphrased and condensed.

Committee Business Summary:

Hearing(s) & Date(s) Posted: HB 346, 1/25/2001
HB 368, 1/25/2001
HB 335, 1/25/2001

HEARING ON HB 346

Sponsor: Clarice Schrumpf, HD 12

Proponents: Bill Stevens, Montana Food Distributors Association
Marc Bridges, Department of Livestock

Opponents: None

Opening Statement by the Sponsor:

REPRESENTATIVE CLARICE SCHRUMPF, HD 12, offered HB 346 for the committee. It will exempt retail grocers from buying a separate \$5 license each year to sell eggs. Currently retail stores have a retail license to sell all types of food items. An egg license is redundant. The present law is antiquated due to the fact that it was used when eggs were coming from several small farm flocks. Although eggs can still come from small flocks, the vast majority comes from large egg producers. The public health is not compromised by not having retail egg licenses. There is still provisions for proper grading and candling of eggs to insure consumer protection on egg value. The fiscal impact of this bill is minimal and insignificant.

Proponents Testimony:

{Tape : 1; Side : A; Approx. Time Counter : 3.5}

Marc Bridges, Department of Livestock, stated that the Department of Livestock is not opposed to repealing the egg license for the following reasons: under current law, a person buying, selling or dealing in eggs, a major portion of which are produced by the person's own fowl, or in amounts less than an average of 25 cases per month is exempt from the requirements of this section. That amounts to 9000 eggs a month. Under present law and this bill, wholesale dealers will still be required to be licensed and sell only candled and graded eggs. This bill will not compromise the quality of the product being delivered to the consumer.

Bill Stevens, Montana Food Distributors Association, stated that this bill is long overdue. He talked about a retail store that he owned 20 years ago, and at that point he never touched the eggs because they had been candled and graded before they ever got to him.

Questions from Committee Members and Responses:

{Tape : 1; Side : A; Approx. Time Counter : 6}

REPRESENTATIVE DAVE GALLIK asked, of the sponsor, if the price of eggs would decrease at all as a result of this bill. **Rep.**

Schrumpf thought that it would be minimal if at all.

Closing by Sponsor:

{Tape : 1; Side : A; Approx. Time Counter : 6.7}

Rep. Schrumpf said that this license is one that would never be missed. It would not only be giving the grocer a break, but it would be taking a redundant bill off the books.

HEARING ON HB 335

Sponsor: Gail Gutsche, HD 66

Proponents: Ed Mott, NPRC
Bonnie Gestring, MEIC
Steve Gilbert
John Wilson, Montana Trout Unlimited
Doug Henneman
Rep. Monica Lindeen, HD 7

Opponents: Carol Lambert, WIFE
John Semple, Montana Cattle Women
John Youngberg, Farm Bureau
John Bloomquist, Montana Stock Growers Association

Opening Statement by Sponsor:

{Tape : 1; Side : A; Approx. Time Counter : 9}

Representative Gail Gutsche, HD 66, stated that HB 335 is an act that would require the Department of Environmental Quality to notify the public of any proposed concentrated animal feeding operation, CAFO. Under existing law CAFOs are authorized by the DEQ under a general permit system. Although CAFOs may have significant economic, environmental and aesthetic impact on neighboring land owners, there are no provisions in the current

law permitting process to provide the public with prior notice when a CAFO is proposed for development in an area. The only thing that this bill does is address the public notice issue. When an application comes in for a new CAFO, surrounding land owners have the opportunity to comment if they want. The bill says, on line 13, the department shall notify the public of the proposal, which must include a hearing and public comment period if requested. She talked about what a CAFO is. It is a facility that houses animals which are stabled, confined and fed or maintained for a total of 45 days or more in any 12-month period, and crops, vegetation, forage growth or post harvest residues are not sustained in the normal growing season over any portion of the facility, and the facility contains more than 1000 animal units, or contains between 301 and 1000 animal units and a discharge occurs through a man-made conveyance, or pollutants are discharged directly into state waters which originate outside of the facility and pass over, across or through the facility.

Proponents' Testimony:

{Tape : 1; Side : A; Approx. Time Counter : 12}

Rep. Monica Lindeen, HD 7, submitted and read from a letter from members of the Custer community. **EXHIBIT (agh24a01)**

Ed Mott, Northern Plains Resource Council, stated that he is a rancher with a small operation. His organization supports this bill. They believe that this bill is a positive step allowing local citizens to have a say when a governmental decision is made to approve a proposed large scale animal feed lot in their community. Currently the DEQ policy doesn't allow for either public notice or comment on CAFOs. The NPRC believes that it should. In past years the DEQ has ruled that Montana citizens do not have the right to either public notice or comment on newly proposed CAFOs. Many have submitted comments to the DEQ asking them to change this policy, their response was, "Aside from the public comment period and hearing process for the issuance of the general CAFO permit, public comment periods and hearings are not filed for individual operations of any size." DEQ may require an individual permit, which would then trigger a public notice and possibly a hearing. However, DEQ has not exorcized that discretion since 1994. DEQ may require an individual permit if there has been a history of violations, but this doesn't always happen. He gave an example of a hog factory near Harden, which has a history of violations, including a 36,000 - 70,000 gallon spill of hog waste onto private land. DEQ has yet to require an individual permit for this operation, despite repeated requests from local neighbors who have been directly impacted by the operation. Mr. Mott stated that the task force on agriculture

has said, in October 1998, that the state needs to take a proactive approach to development of confinement hog facilities and recommended increasing annual hog production in Montana from 277,000 to 1,000,000 hogs by 2005, and 2,000,000 by 2010. This bill is a small, but an important step for the agricultural community. He then provided additional written testimony.

EXHIBIT (agh24a02)

Bonnie Gestring, Montana Environmental Information Center, stated that we support HB 335. CAFOs may have a significant impact on neighboring land owners and communities, such as water quality and quantity, property values and air quality. She offered another example of a Hutterite colony, which is a designated CAFO, is located in the water shed supplying the drinking water for the city of Conrad. This facility discharged 3000 gallons of hog waste via a sprinkler irrigation system into a canal linked to Lake Frances, which is the drinking water supply for the city of Conrad. Approximately 1000 gallons entered the lake and threatened the water supply for that community. At great cost, the city was forced to upgrade their treatment process at the water plant to ensure that their drinking water was not contaminated. She emphasized that, considering the potential impact, it is important that the public that lives nearby have an opportunity to be notified if a facility is proposed near them.

{Tape : 1; Side : A; Approx. Time Counter : 22.2}

John Wilson, Montana Trout Unlimited, stated that history has shown that CAFOs have a great potential to raise problems with rivers and streams if they are not sited and operated properly. FWP estimates that anglers spent \$191,000,000 in the state last year. This is a contribution to the state that is well worth protecting. This bill makes good sense because it gives notice that here comes a CAFO. There is then a chance that you can talk to the people that are proposing it, you can talk to the department, you can mitigate impacts, maybe move it a little bit, and do it right from the beginning as opposed to having it sited and then having some problems.

Steve Gilbert said that many of his closest friends in Montana are family, farmers and ranchers. He respects the freedoms that are necessary for them to conduct their businesses effectively, but CAFOs can have tremendous negative impacts on water and air quality that affects all of us. He stated that all Montanans should have the right to public notice and comment on newly proposed CAFOs. Our constitution guarantees us the right to a clean and healthful environment.

Doug Henneman, rancher, said that he was born and raised in Montana and is a 3rd generation farmer and rancher. He agreed with many of the earlier comments, but he wanted to add that he has an extensive background in the military. Because of this he has a real respect for private property rights. He said that there is a gray area between private property rights and neighbors' rights. CAFOs bring with them some problems and some improvements, such as economic improvement in the neighborhood. He still thinks that this is a good bill and that with this bill the winners will be the neighbors, the state of Montana, and the CAFOs themselves because there will be less forthcoming litigation. The only losers that would come from this bill would possibly be the legal profession and the trial lawyers.

Rep. Linda Holden, HD 86, read from a letter that she had received from the City of Conrad. **EXHIBIT (agh24a03)**

Opponents' Testimony:

{Tape : 1; Side : A; Approx. Time Counter : 29.7}

John Bloomquist, Montana Stock Growers Association, wanted to explain the permit process and the general vs. an individual permit. This bill will wrap many small operations around the axle of folks who are concerned with large operations. There was some discussion that there was no opportunity for public input on CAFOs, that is not true. If the DEQ determines that there would be a significant contributor to pollution, then that CAFO does not qualify for a general discharge permit and an individual discharge permit would be required. Under an individual permit there is public notice and opportunity for hearing, comments, a lot of what the proponents said is lacking. The permit program that DEQ implements does allow for public comment on CAFOs that the DEQ feels may be a significant contributor. HB 335 doesn't differentiate. It says that, if you are a CAFO, there has to be public notice and, if requested, a hearing. What this will do in many instances is eliminate the general permit. A CAFO general permit is a no discharge permit; in other words, to qualify for a general permit there can't be discharge water up to a 25 year 24 hour precipitation event. The way that the permit is set up, the director of the department can look at an application and say, in this instance we think that there is going to be a significant issue here, so this facility will not qualify for a general permit. As soon as they do this and an individual permit is required then there will be public input and comment and such things. Mr. Bloomquist read from the general discharge permit, "Aside from the public comment period and hearing process of the issuance of the general CAFO permit, public comment periods and hearings are not held for individual operations of any size

applying for coverage under permit. Comment periods are required and a hearing may be held for all CAFOs being required to obtain an individual permit. Individual CAFO permits are more likely for large operations located adjacent to surface water or situated over shallow ground water." He doesn't feel that this bill is necessary. This is a water quality discharge permit. The DEQ, under this, implements issues of water quality. You don't regulate air quality or disposal of animals under a water quality permit. These are collateral issues. Public comment sounds good, but it means that we might as well get rid of the general discharge permit programs, not only for CAFOs, but also for construction activities because it's the same principle. The purpose of a general permit is efficiency. This is reacting to large operations that the process all ready looks at.

John Semple, Montana Cattle Women, stated that he echoed Mr. Bloomquist's statements.

John Youngberg, Montana Farm Bureau, wanted to talk about some federal things within the EPA and the USGA that are happening now, regarding CAFOs. There are two proposals out dealing with CAFOs that would lower the threshold number to 300 - 500 head. If that gets lowered to 300 it will drag in almost all of the dairies in the state on Montana into this process. It also drags in the small hog operators. The EPA also is working on a change in the definition of CAFO, that is if you have an area that is confined for 45 days, devoid of vegetation, and if the discharge from that runs into surface waters in the state of Montana, you would be required to have a discharge permit. That could be your neighbor who has two horses in a one acre pasture and a hay bunk and a stream runs through it. Under this bill, it would require them to go through the hearing process in order to do that. If they are large operations of over 1000 head, folks don't build those underneath their hat. The neighbors are going to know about it, and know people are going to be applying for a permit, and have an opportunity to address the DEQ and the operator of the operation. The general discharge permit requires that a person have a manure management plan posted on their property. New federal regulations that are looking at coming down are much more stringent than that; they would require comprehensive manure management. The EPA has some things on the horizon that will make this a very problematic situation. The DEQ has enough problems dealing with the issues that they have, we don't need to add to that load. A greater load will cost more money.

Carol Lambert, WIFE, thinks that most of her concerns had all ready been addressed. She stated that WIFE feels that there are all ready laws governing what you think this bill will do. They are concerned that it will impact the small operator. She

brought up the issue of private property rights and that this could impact those rights.

Dave Pauli, Northern Rockies Regional Director, sent a letter to the committee. **EXHIBIT**(agh24a04)

Questions from Committee Members and Responses:

{Tape : 1; Side : A; Approx. Time Counter : 46.9}

REPRESENTATIVE VERDELL JACKSON asked, of the sponsor, if she had a copy of the definition that she read to the committee. **Rep. Gutsche** stated that she did not bring enough for the committee, but that she would be happy to have copies made. **REP. JACKSON** asked if she could read it again. **Rep. Gutsche** read, "A facility that houses animals is considered a CAFO if: Animals are stabled, confined and fed or maintained for a total of 45 days or more in any 12-month period; crops, vegetation, forage growth or post harvest residues are not sustained in the normal growing season over any portion of the facility; the facility contains more than 1000 animal units or contains between 301 and 1000 animal units and a discharge occurs through a man-made conveyance or pollutants are discharged directly into state waters which originate outside the facility and pass over, across, or through the facility." **REP. JACKSON** asked if we were talking about any existing operations, if there were complaints, would this apply? **Rep. Gutsche** stated that it would not, it is for new applications.

REP. JACKSON asked, of Mr. Bloomquist, for clarification of the general permit and the individual permit. **Mr. Bloomquist** stated that the general permit, under the DEQ permit program, is a permit that establishes limits or prohibitions on discharges from certain activities. **REP. JACKSON** asked if this is a situation where this is done on a national level or a state level. **Mr. Bloomquist** replied that the CAFO permit on the national scale authorizes general permits. Montana is a delegated state where the state implements the permit program. Under the federal clean water act there is the national pollutant discharge permit, the state does the job under this act. The CAFO general permit identifies the limitations, which is non-discharge up to a 25 year 24 hour precipitation event. If the facility doesn't meet these specifications or there is something about the location where you don't qualify for the general, then you have to get an individual. **REP. JACKSON** asked, if the people next to him are going to put a CAFO in, could they do that without public notice. **Mr. Bloomquist** replied that if they were going to

construct a facility and they designed it in the way that they would qualify under the general permit, then there would be no public notice. **REP. JACKSON** then said, if there are people in a thinly populated area who have farms, and a big operation wants to move into the middle, everybody around there would not be able to sell their property or it would depreciate the value of their property because it would be so close. **Mr. Bloomquist** responded that we need to remember that we are dealing with the water quality act, water quality issues, that's it. Other things that have been brought up, DEQ can't do anything about them any way.

REPRESENTATIVE DAVE GALLIK asked, of Mr. Bloomquist, if the statement that he just made was a very good argument why we ought to have public notice, if there is no notice whatsoever, based upon anything but water. **Mr. Bloomquist** replied that if you want to require an overall public notice/comment, what you need is a CAFO siting act. You don't need to do it under the water quality act.

REP. GALLIK asked, of the sponsor, in the proposed bill, is there anything that has any impact, in any way, on the permitting process that Mr. Bloomquist spoke of. **Rep. Gutsche** replied that this bill doesn't affect the permitting process, it has nothing to do with the permitting process. This bill is about public notification, if requested, when a new CAFO is applying.

REPRESENTATIVE MERLIN WOLERY asked, of the sponsor, on line 12 and 13, which must include a hearing and public comment period if requested, who is able to request it. **Rep. Gutsche** said that anybody is able to request it. What they will do is publically note it in newspapers and such, if someone calls DEQ and says, we want a hearing on this, they will put on a hearing. **REP. WOLERY** asked if it was requested and granted, the public can comment, what if the public is 90% against it, is there anything here that is going to stop it. Is this hearing to just let them blow off steam? **Rep. Gutsche** replied that if comments are negative about it then DEQ will have to take that into consideration, but this bill doesn't do that, DEQ will have to do that.

{Tape : 1; Side : B; Approx. Time Counter : 0}

REPRESENTATIVE HOLLY RASER stated that Mr. Bloomquist had said that DEQ was only regulating the water quality, another concern would be the air quality as well. Doesn't DEQ concern itself with air quality as well? **Bonnie Loveless, DEQ**, stated that the DEQ has studied this matter, it has come up in a number of areas. The limitations on the department for regulation of air are very distinct. Essentially, it is a local nuisance issue, and they can't touch the air quality issue from these operations. In the water quality permitting process they can address the odor of the

water, but that is as close as they can get to air quality issues.

REPRESENTATIVE BUTCH WADDILL asked if Mr. Bloomquist had knowledge of what type of permit the Hutterite colony that dumped into Lake Frances had. **Mr. Bloomquist** did not know.

REPRESENTATIVE KARL WAITSCHIES asked, of the sponsor, what is the exact problem that this bill is trying to address. **Rep. Gutsche** stated that she wanted the public to know and to have the opportunity to comment, if they request, if a CAFO is applying for a new operation near them. **REP. WAITSCHIES** then asked, to what purpose or to what good. **Rep. Gutsche** said that she thought it was a lot of good. Public process is one of the most important things that government engages in, people should have the opportunity to comment. If people have the ability to comment ahead of time, they may be able to work out some of their concerns and alleviate some of these problems that come up concerning CAFOs.

REPRESENTATIVE GILDA CLANCY asked, of the sponsor, who comes to a hearing, just the neighbors or would it be open to the whole state of Montana. **Rep. Gutsche** replied that it could be open to the whole state of Montana, but they will only notice it locally. Anybody can comment who wants to comment. **REP. CLANCY** said, if I live in Billings and there is a proposed CAFO on the other side of the state, then I can go and listen to that public meeting and my comments on the operation would have input? **Rep. Gutsche** agreed that that is the case, and that is the case right now under any public hearing for any reason, anywhere in the state, for any issue.

REP. RASER asked, of Mr. Bloomquist, to what harm would this bill be. **Mr. Bloomquist** replied with this he sees no reason for the general permit anymore. In effect what this bill does is have an individual permit process. General permits are issued for efficiency purposes in administration. DEQ has a lot to do, and what we are going to do on CAFOs could really put the department in a bind as to how many CAFOs, how many individual CAFO permits do you have to issue, how many public comments and meetings are we going to have. It just takes away from the efficiency and the purpose of a general permit. He is also concerned because the general permit is reissued every 5 years, will it really apply to only new operations. He is also concerned with who will comment on it. **REP. RASER** said that, as she reads the bill, it only specifies that there would be a hearing, not that it must go through the permitting process. **Mr. Bloomquist** replied that it would have to go through the permitting process anyway. In general you aren't going to have

to have the hearing. **REP. RASER** then said that the only change would be that there would be a hearing before it goes through what would be the typical channels anyway, the hearing is simply to notify people that this is going to happen. **Mr. Bloomquist** said that, as he reads it, there will be notification to the public, if someone requests, there will be a comment period and a hearing. Is this an administrative hearing or a public hearing, He didn't know, it's not specified.

REPRESENTATIVE KATHLEEN GALVIN-HALCRO asked, of Ms. Loveless, how many individual permits there are in Montana right now. **Ms. Loveless** replied that there are none. **REP. GALVIN-HALCRO** then asked, referring to the fiscal note, it talks about permits that are processed annually, are these not individual permits? **Ms. Loveless** replied that those are general permits.

REPRESENTATIVE DONALD HEDGES asked what the time line was for a public hearing. **Ms. Loveless** replied that under DEQ regulation is that a notice must be run for 30 days and that would be the same time frame in addition if the hearing were scheduled separately. It could add up to 60 days to the process. **REP. HEDGES** then asked if the hog operation in the Conrad area where they had a waste spill, was that under a general permit. **Ms. Loveless** replied that that operation has been under both an individual and a general permit through time. It was determined that the DEQ could address the issues of that sight through the general permit by adding conditions to the permit. When the spill occurred it was handled as an enforcement action. **REP. HEDGES** asked if that permit covered part A or part B of the federal register in terms if the affluent flowing into the stream or not into the stream. **Ms. Loveless** said that she believed that the spill occurred into a canal, which then flowed into a stream. It didn't have a perennial stream running right through the middle of the operation. **REP. HEDGES** also wanted to know how local zoning ordinances would affect the permitting process from a DEQ standpoint. **Ms. Loveless** replied that if an operation is not in compliance with a local zoning ordinance, that authorization would not be given. She doesn't believe that the DEQ would have any interaction in that.

REP. HEDGES asked, of Mr. Youngberg, in the permitting process, will local zoning be affected. **Mr. Youngberg** thought that local zoning stands on its own as far as what you can do within an area. You would still have to have a water quality permit from the state, but local zoning would dictate if it could be done. **REP. HEDGES** then asked what he thought of the Pondera county situation. **Mr. Youngberg** replied that that situation is technically not a CAFO, it is too small.

Closing by Sponsor:***{Tape : 1; Side : B; Approx. Time Counter : 17.7}***

Rep. Gutsche began by listing some things that this bill doesn't do. It doesn't change the definition of CAFO. EPA may have some things on the horizon, but we know that this could take a very long time. This bill doesn't require a hearing; it gives the opportunity for hearing if it is requested. The fiscal note shows that the cost of one hearing would be \$360. We don't know how many hearings will be requested. This doesn't change the permitting process, it doesn't have anything to do with the permitting process. There was testimony that this will put the DEQ in a bind. However, the DEQ was here today and they didn't testify against it. They are not worried about being put in a bind. This bill simply allows for the possibility for a hearing when new CAFOs go through the application process. This is a local control issue. Folks who are around these CAFOs are the ones who are most likely to comment.

HEARING ON HB 368**Sponsor:** Representative Donald Hedges, HD 97

Proponents: Kenneth W. Smith, Montana Mint Committee
Steve Street, Montana Mint Growers Association
Billie Lee, Lake City Community Development Corp.
Carol Lambert, WIFE
Tom McCoy, University System
Sharon Quisenbary, MSU Bozeman
Chuck Merja
Lorna Karn, Montana Farm Bureau

Opponents: None**Opening Statement by Sponsor:*****{Tape : 1; Side : B; Approx. Time Counter : 22.5}***

REPRESENTATIVE DON HEDGES, HD 97, stated that HB 368 was at the request of the Department of Agriculture. It would change the trust fund rules for the independent research stations. In the previous session of the legislature a fund was set up. This fund required a matching amount of money before a grant could be issued. The Dept. of Agriculture has a number of small, independent research stations in the field that can't qualify for the matching funds, and therefore they can't receive grant money

for field research that is very important to the state of Montana in the development of agricultural products.

Proponents' Testimony:

{Tape : 1; Side : B; Approx. Time Counter : 24.5}

Steve Street, Montana Mint Growers Association, said that this fall he applied for a grant from the Montana Board of Research and Commercialization to study dill. Five years ago they increased the amount of dill that they were growing. A company called RCB started contracting with them. Dill is an annual plant. They cook it to get dill oil. This is used in pickle jars, instead of dill plant, because the oil stores better, longer, and there aren't the rodent problems associated with the plant. In 1998 a fungus hit Montana and there was a great decrease in the yields. The carvone level in the oil dropped. The buyer of the dill oil pulled out and took the contracts out of Montana because he felt that Montana was an unreliable area because there was no research done on the fungus and therefore the farmers didn't know how to control it. They would like to study this, along with other issues such as carvone levels. The Montana Mint Committee appropriated some money for study on this fungus and they applied for a grant through the MBRC. They didn't qualify for the grant because they didn't have a 1 to 1 match with non-state funds. The end users don't want to pay for the research because they don't care what state they are getting the product from. This bill will allow for the 1 to 1 match to not apply to agricultural grants that go to our research centers. They feel that the state funds were appropriated for Montana projects that do Montana good without having any national interest. This bill makes 20% of that money go to agriculture.

Carol Lambert, WIFE, stated that agriculture is Montana's number one product. However, agriculture doesn't have a lot of money and when you have small groups of people they usually can't afford to do the research that is needed in order to expand our economy. WIFE feels that this bill could help expand the agricultural economy, which would help all of Montana.

Lorna Karn, Montana Farm Bureau Federation, supports this bill for all the reasons previously mentioned. They feel that this money can be very well used for agricultural research through out the state on many different research projects that are needed to improve agricultural producers' income.

Ken Simth, Montana Mint Committee, wanted to stress the importance of this bill. This bill would support further research products for the ailing ag industry. The farmers need

the legislators to support the bill, not only for the good of the ag research stations, but for the good of the agricultural industry.

Tom McCoy, Montana State University, reminded the committee that there is a long history and the agricultural community has been the most actively engaged in that history. There is an attempt in this bill to tweak HB 1 and fix the problems. All along there had been hope that matching funds from the organizations such as the Mint Committee would be able to be used as match, but the reality is that those dollars do go into the state and are then sent from the Dept. of Agriculture and by doing that they are viewed as state dollars.

Sharon Quizenbary, MSU, said that what we need to do with agriculture in this state is to add value and look at product development so that our producers get more dollars to their pockets. This bill will allow research centers to compete for these dollars and to make a difference where it counts, that is in the rural areas, and to enhance our economic development.

Chuck Merja stated that he is on the Research and Commercialization Committee that was appointed by Governor Racicot, but he is here speaking for himself. This bill would make the lives of the committee members easier.

Billie Lee, Lake County Community Development Corp., is representing a nonprofit organization which is completing a value added food processing pilot project center in Lake County that is serving both regionally and state wide. An example would be that the cooperative development center is currently working with producers who are looking to increase the acreage of Indian Rice Grass going into production for the high value seed and the conversion into a high protein gluten free flour. Potato growers are also looking into the gluten free market. The goal over the next 5 years, if they can prove both the market and high volume of acreage and production, then it would provide the justification for putting a milling operation together. For these producers, coming up with matching dollars is a huge task. To ask these producers, who are trying to be creative and look at alternatives to what they are doing in an effort to increase the economy of Montana, to come up with additional match out of their pocket when there are other sources of funds that could be used for match that would benefit the entire state, she doesn't believe that was the original intent of the act. She urges a do pass.

Informational Witness Testimony:

Dave Desch, Montana Board of Research and Commercialization, wanted to submit some amendments to the bill. These amendments exempt the production agriculture projects that would come before the board from the matching funds requirement. There is also some clean up language. He also wanted to point out that what they had heard so far about the agricultural research stations coming up with matching funds is a problem and in the funding process they have requested proposals and they received 30 of them. Nine of those the board deemed to be production agriculture projects. Of those nine, three came from agricultural research stations. Of those three, two have matching funds problems. If it is the intent of the legislature to fund agricultural research stations and production agricultural projects, then it is fair to say that the production agriculture stations do have a problem with finding matching funds.

Questions from Committee Members and Responses:

{Tape : 2; Side : A; Approx. Time Counter : 0.2}

REPRESENTATIVE VERDELL JACKSON asked, of the sponsor, on page 3 number 8, why doesn't applied research, versus basic research, cover what this bill is doing. **Rep. Hedges** didn't think that basic research versus applied research was the issue. The issue is the requirement in the grant process for matching funds. **REP. JACKSON** asked for short overview of where this money comes from. **Rep. Hedges** replied that money has been appropriated into a grant and there is \$2.5 million per year, that funds the research and commercialization started by the Governor's task force to rebuild Montana. One of the problems is that this funds the university system, but we didn't provide an escape hatch for field research stations that can't raise matching funds. The university system could receive matching funds from major companies, but there are not many that support small field research stations. **REP. JACKSON** asked if this was federal money, state money, or a combination thereof. **Rep. Hedges** said that it was basically state money.

REPRESENTATIVE FRANK SMITH asked, of Mr. McCoy, if dill is a rotation crop, a steady crop, or something else. **Mr. McCoy** said that he didn't have any experience with that and he deferred to Mr. Street. **Mr. Street** replied that it is an annual crop. They plant in the spring and harvest in the fall and put a new crop in the next year. It rotates well with other vegetation. If you rotate it with your wheat and grain you can help clean up some of the grain fungus that is from year to year. **REP. SMITH** asked if the program at the university for mint was available to dill growers. **Mr. Street** replied that they did some cold tolerance

studies on dill. The research center in Kalispell did all of those tests. They were able to determine some varieties that were more hardy than others.

REPRESENTATIVE JIM KEANE asked, of Mr. Desch, how much money is in this trust fund right now. **Mr. Desch** replied that, for this fiscal year, the board has \$2.35 million that it can grant or loan and the last legislative session provided \$4.8 million annually through fiscal year 2005. **REP. KEANE** asked, on the bill on page 2, line 6, is the ratio still a 1 to 1 ratio for the matching funds. **Mr. Desch** said yes, the 1 to 1 ratio would apply as the bill is written now. Any grants the board make, those grants have to be matched in an amount of 1 to 1 from non-state sources.

REPRESENTATIVE LINDA HOLDEN asked, of Mr. Desch, did he know when the trust was set up. **Mr. Desch** replied that the enabling legislation was passed in the last session. The funding mechanism for this program was passed in the special session.

REPRESENTATIVE HOLLY RASER asked, of Mr. Desch, if this was an amendment that he had proposed. **Mr. Desch** said that was correct. These are the suggestions that I have come up with after discussions with his chairman and director. The attempt is to exempt the production agriculture projects from the 1 to 1 matching requirement and clean up the language a little bit with regard to matching funds. He felt that the current language was confusing. **REP. RASER** asked if the most significant part of the amendment was on the second page, section 3BI. Mr. Desch again replied that was correct.

REPRESENTATIVE DAVE GALLIK asked if Mr. Desch would be available for executive action on this bill. **Mr. Desch** said that he could be.

Closing by Sponsor:

{Tape : 2; Side : A; Approx. Time Counter : 10.8}

Rep. Hedges said that he was excited about the research program that the legislature has seen fit to put in place for Montana agriculture. The board is made up of appointments from the Governor, Senate and House, so there is a broad range of people that provide a good oversight so that the money will be spent wisely. He encourages a do pass.

ADJOURNMENT

Adjournment: 5:16 P.M.

REP. DONALD L. HEDGES, Chairman

ROBYN LUND, Secretary

DH/RL

EXHIBIT (agh24aad)